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Message Text

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42
ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 EB-07 L-03 H-02 TRSE-00 SP-02

SCS-03 SCA-01 /041 W
---------- 021557
R 181403Z SEP 75
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 185
INFO AMEMBASSY LONDON

C O N F I D E N T I A L CARACAS 9759

E.O. 11652: GDS
TAGS: ENRG, EINV, VE, US
SUBJECT: PETROLEUM ROYALTY HOLDINGS

REF A. CARACAS 7993 B. STATE 177721

1. THE BRITISH AMBASSADOR HAS HAD A FURTHER COMMUNICATION ON THIS SUBJECT FROM THE FCO. HE TELLS ME THAT BRITISH ULTRAMAR HAD ASKED FOR NO REPEAT NO ASSISTANCE FROM HMG AND, IN FACT, CALCULATED THAT RAISING THE SUBJECT IN ANY WAY BEFORE PASSAGE OF THE REVERSION LEGISLATION WOULD RUN THE RISK OF INDUCING A SPECIFIC PROVISION ON THE EXTINGUISHMENT OF OVERRIDING ROYALTY RIGHTS. APPARENTLY THERE WAS SOME SURPRISE IN LONDON THAT AMERICAN ULTRAMAR HAD INQUIRED ABOUT THE POSSIBILITY OF USG ASSISTANCE AT SUCH AN EARLY STAGE. THE FCO THOUGHT WAS THAT PERHAPS THE TWO ULTRAMARS SHOULD GET TOGETHER FOR BETTER COORDINATION.

2. AMBASSADOR TAYLOR SAID THAT THE HMG AT THIS POINT PLANS NO REPEAT NO ACTION ON BEHALF OF BRITISH OF BRITISH ULTRAMAR OR OTHER ROYALTY HOLDERS IN THE UK. HE SAID HE ASSUMED THAT THE ROYALTY HOLDERS WOULD NOW "BE CONSULTING THEIR LAWYERS." HE WAS UNABLE TO CAST ANY LIGHT ON THE FCO VIEW OF THIS MATTER IN GENERAL BEYOND NOTING THAT HIS MOST RECENT LETTER CONTAINED THE COMMENT THAT THE "LEGAL CASE" OF THE ROYALTY HOLDERS WAS WEAK. TAYLOR DID NOT KNOW WHETHER THE REFERENCE WAS TO THEIR SITUATION HERE UNDER THE
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REVERSION LEGISLATION OR TO SOME ASPECT OF INTERNATIONAL

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LAW UNKNOWN TO EITHER OF US.

3. TAYLOR TOLD ME THAT TOTAL PAYMENTS TO HOLDERS OF OVERRIDING ROYALTY RIGHTS IN THE UK LAST YEAR CAME TO AROUND SEVEN MILLION POUNDS. HE NOTED HIS UNDERSTANDING THAT RIGHTS ARE HELD BY A FAIRLY WIDE NUMBER OF PEOPLE AND GROUPS IN THE U.S. AND U.K. OTHER THAN THE ULTRAMARS. TAYLOR ALSO PASSED ON A RECENT PRIVATE REMARK OF MINES MINISTER VALENTIN HERNANDEZ TO THE EFFECT THAT MIGUEL OTERO SILVA IS BADLY WORRIED BY THE SITUATION. OTERO, A MARXIST, IS THE PRINCIPAL OWNER OF EL NACIONAL, VENEZUELA'S LEADING NEWSPAPER. HIS FAMILY'S FORTUNE WAS BUILT ON OVERRIDING ROYALTY RIGHTS).

4. TAYLOR AND I AGREED THAT ANY FURTHER DISCUSSION OF THE FCO'S VIEW OF THE LEGAL ASPECTS OF THIS PROBLEM COULD BEST BE PURSUED IN LONDON.
SHLAUDEMAN

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Disposition Authority: ShawDG
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